

Session 12-07 A Special Meeting of the Water and Sewer Rate Task Force was called to order at 5:15 pm on September 19, 2012 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: LLOYD MOORE, KEN CASTNER, BETH WYTHER
BARBARA HOWARD AND BOB HOWARD

ABSENT: SHARON MINSCH (EXCUSED)

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
CAREY MEYER, DIRECTOR OF PUBLIC WORKS

Ms. Krause notified the Task Force that Ms. Moore was available if needed but she would be in her office working on the budget.

APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Task Force.

PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA *(3 Minute Time Limit)*

Larry Sloan, city resident, commented on the several models that will be presented by the rate committee for consideration and review; the one based on a commodity rate which will apply to 90% of the users and those 90% place the same demand on the system whether they use 10 gallons per day or 100 gallons per day. Therefore the demand is a real consideration. There would be some differentials for those users placing a high demand on the system such as spit users and the fire department. He highly approves of this rate model for a number of reasons; he has had the opportunity to offer substantial input, fairness, transparency, simplicity, flexibility, and revenue production necessary to operate and maintain the system. It is tangible and defensible. Small step for the overall effort but a giant leap in the efforts of the Task Force as far as complying with the mandate of the City Council to provide them with a workable rate structure.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES *(Minutes are approved during Regular Meetings only)*

There were no minutes provided for approval.

VISITORS

There were no visitors scheduled.

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS *(Chair set time limit not to exceed 5 minutes)*

A. Rate Model Sub-Committee Synopsis for September 5, 2012

Mr. Castner asked to provide the synopsis under Pending Business item B.

PUBLIC HEARING *(3 minute time limit)*

There were no items for public hearing.

PENDING BUSINESS

- A. Discussion on Services Provided to Kachemak City
 - 1. Information Update on Septic Pumping Services

Chair Wythe asked if there was any discussion on the information provided on the Septic Pumping Services.

There was discussion on where the revenue is shown in the budget, if this is a line item; where do additional revenue items appear in the Budget; final dollar amount for the contract for Kachemak City; the amounts billed, the ownership of the system was established as the City of Homer and a new contract was approved for the pumping;
Mr. Castner queried where the charges or revenue is shown in the budget as a line item of revenue. It was determined that this may be lumped in but would like Staff to indicate where this is in the budget.

Questions asked were:

1. Identifying the revenue received for pumping Kachemak City in the budget.

Staff responded that there is not a separate line in the budget. This was reflected or included in the Special Water Sewer Revenue Fund. This is not in the general fund.

2. Dumping Stations – How many are in the city?

Staff responded there is a holding tank that is used as a dump station on Kachemak Drive for Kachemak City; there is a dump station next to the Fishing Lagoon and the RV Dump Station at Public Works both have a voluntary fee collection.

A detailed dialogue was entertained on the number, locations and amount charged for the dump stations and if this revenue was included in the budget; the Homer Spit Campground provides a RV dump station which is tied into the city system. They do not have water or plumbing there. It was noted that this did affect the system.

The Rate Committee was looking for "cost causers". It was noted that the Chapple's were paying a bill based on the total amount of water used and sewer charges are based on this also. The sewer bill does not capture the additional costs for septic.

The dump stations are not measured for billing purposes. There is a minimal charge of \$2-3.00 and there is an iron ranger. The other RV Park on the spit has each site plumbed for water and sewer.

Further discussion on if there is enough the expense should not be distributed city wide and rates should be addressed in a recommendation.

3. Seasonal Meters – What is this?

Ms. Moore explained the usage of seasonal meters and how it worked. This gallonage is deducted from the sewer portion of the billing. She noted that there is a one-time fee. The meter is read at the end of the season, usually with the September billing. This is done by hand.

The gallonage used is metered and Finance can provide those figures. The Task Force also requested the year to date water and sewer figures that was provided at the last meeting to see what amount is uncollected. She confirmed that it may be a few hundred gallons.

Ms. Minsch stated she did not have the information –Chair Wythe requested this information to be included in the next packet – a mid-year budget review to see where the Water Sewer Budget is at.

Mr. Moore questioned why the two customers are not pumped. Ms. Moore stated she did not have that information and Dan Gardner should be able to provide the information.

Mr. Meyer responded to that question and provided the following information: They installed tanks on the Spit similar to what was installed in Kachemak City and they are included in the contract.

There were no further questions for finance staff.

B. Discussion on the Various Rate Models

Mr. Castner summarized the progress of the committee and what they had come up with so far. He displayed the sample Flat Rate Model and expressed the findings of the sub-committee. There was a brief discussion on the various components of the Flat Rate Model, including the source of the figures, if it contained depreciation it was noted that this model was not fair to all users.

The group voiced by consensus that they did not want to pursue that model.

The next model addressed was the commodity rate model. Mr. Castner stated that the figures used are the same as the Flat Rate model. The committee had a few questions that were needed to further flesh out this rate model. It was noted that most of the costs would be transferred to the larger users and new revenues also.

Mr. Castner proceeded to explain how the committee proceeded providing the following points:

- the first line represented the estimated percentage of hydrants rents or City contribution into the water system.
- the system is oversized
- this represents an estimated one third of the water did not get metered and they took 1/3 of this figure to come up with 11%
- necessity to dump water to maintain water quality
- necessity to maintain oversized lines and hydrants
- increase cost to larger users
 - encourages conservation among the larger users
- projected 136 million gallons
- revenue was projected as depicted in the budget
- some items would go against the revenue requirement
- the committee put in a 15% spit differential
 - applied to water only
 - affects commodity rate only
- fire differential covers a business with a 6-8" line
 - these lines need to be identified and the number of lines
 - part of the oversizing of the lines and those customers should be charged accordingly

There was brief discussion on the line amounts and calculations that had shifted on the spreadsheet.

- there is one fee for both water and sewer
- covers cost of meter read, accounting, banking, etc., which should be the minimum fee charged all year, applies to all accounts whether using it or not.
- bulk water sales cost was increased to normalize the cost comparable with a city user
- large bulk water sales would want a rate to give the city a reason for selling bulk water
- number of flushes per day on the spit would be equaled to those in town
- the restrooms are believed to be metered like all other city facilities
- the current figures used are estimates and represent a proposed base rate

There was further discussion on how the numbers change based on the data used and what each of the numbers reflected in dollar amounts. The service fee could be on any side and the end result is a small user would have an average bill of \$27.33 combined water & sewer this would be the lowest 150 users. A large user prediction would require the information that was provided at an earlier meeting. Further discussion ensued on the changes and how they affect the current users. It was discussed on the amount of gallonage would be compared from the current commodity rate to the proposed commodity rate. There was concern on the amount of change for the larger user. An example for a combined 2000 gallon usage would \$75.80 which would be a decrease of approximately \$35 per month. It was explained that reallocating the costs to the Spit users and then higher consumption would pay not the smaller users. The spit users would automatically pay 15% higher, 1.1 cents which using this model increases 10% so the overall increase for water would be 25% or less. The sewer would be higher.

Mr. Castner explained that they based this model on 1500 customers using 1 meter fee, they did not go into multi-family issues; with regards to the Spit differential there was no resolution to take that away so they are putting it back; they did away with the commercial classes too. This is a commodity based model. If we pick and choose the subsidies let's not put it all on the little guys. Ms. Minsch opined that a building with six families puts a heavier demand on the system. Mr. Castner reminded the members that they have not challenged the city's numbers and it still needs work.

Chair Wythe inquired what additional information was needed by the rate committee.

Mr. Castner stated at some time they need to make a decision that this is their working document and if they start attacking the individuals lines that are decidedly too large or too small.

Chair Wythe asked Mr. Meyer if they can go back and look at what usage was two years ago and see how the rates have been increased incrementally over the last few years should provide the amounts of conservation and if the sales have gone down as the rates have gone up will provide the information needed. She additionally asked if the 15% water and the 30% sewer figures were provided by staff. Mr. Howard responded that at a previous meeting Mr. Meyer stated that the Spit has increased 15-25% for water. The sewer needs some work but we know that there is \$80 thousand dollars in the lift stations and more work is needed in how much sewage comes off the spit and how much domestic water does not wind up back in system.

Mrs. Howard felt that the question should be asked if this body feels the commodity rate model is the way to go.

HOWARD/HOWARD – MOVED THAT THE TASK FORCE INSTRUCTS THE RATE COMMITTEE TO MOVE AHEAD ON THE COMMODITY RATE MODEL SYSTEM.

Discussion ensued that the rate committee is headed in the right direction but refinement is needed. Questions asked by the Task Force - Has the rate committee looked into other systems besides the two presented tonight? The rate committee confirmed that they have only looked at the flat rate model and the commodity rate model. Mr. Castner explained that the rate committee has not spent the time on the fire costs to the system under the commodity model either, that they spent more time on the spit costs to the system and that is how they came up with the spit differential. Mr. Castner explained how the processes from previous years and what this rate model committee did, that there are some deviations. Chair Wythe noted that they do have classes since there will be a base rate and a spit rate. They will need to see what those numbers are; need to build example cases for the different users.

Mrs. Howard called for the question repeating the motion on the floor. Chair Wythe asked if there were further discussion.

Chair Wythe asked if there was any opposition to the motion. There was no response.

Chair Wythe noted the motion passes by consensus.

Mr. Castner responded to a previous question regarding a larger user would be paying \$1084 per month. Mr. Moore noted that in theory this would be passed onto the harbor users. Mr. Howard stated they did not know that at this time.

Mr. Castner opined that they are running out of time and they need to come up with a working model so the public can comment. Sooner rather than later.

Chair Wythe commented on bringing the proposed rate model once refined to the other committees and commissions she believed they would want the bottom line numbers since their concern would be their costs, especially those items with additional fees.

Mr. Howard believed that the defensible answers would come from staff and that this task force must harass staff to help refine the numbers to the point that they understand what they are after. We need to know how to crunch them.

Mrs. Howard stated that they would need a supporting document explaining the formula and what the rationale was behind the formula for each every line.

Mr. Howard further commented that 14% of the water is consumed on the Spit but we don't believe that 14% of Sewage is created on the Spit. It was explained that the 1500 users was rounded up.

Mr. Castner addressed the high BOD users and charging a minimal \$5 fee which provides an additional \$12,000, and keeps track of them and if it is found that they are creating higher maintenance issues then they can address the issue at that time.

Mr. Howard commented on the historical aspects of restaurants and bakeries over domestic sewage. He noted that the average commercial guy is paying more for their sewage than he should be and the average domestic sewage producer is paying less than they should.

Mr. Castner explained that there was a line item that accounted for addressing multi-family. Further discussion on why the multi-family user impacts the system no differently than a residential customer.

The Task Force plugged in the current rates for multi-family to provide an example. Then played with some numbers to see what happens to the other lines items in the rate model presented. Further discussion on current examples of rates and how it affects a commodity rate and concern expressed that a multi-family customer puts more demand on the system. Then the discussion developed into who was going to pay. The bills will be less due to less service fee and costs would be reallocated appropriately. It was explained that other providers charge a minimal service that does not cover the actual costs.

Chair Wythe stated that if Ms. Minsch wanted to make a motion to add a fee to rate model that addresses multi-family you can do that now. The rates currently reflected are the best that can be displayed at this time.

Mr. Moore commented that it would be easy to add a \$5 or \$10 fee into this model and Mr. Castner made adjustments to the rate model to display that scenario. This is a way to track this for future changes if required.

Further explanations were provided to explain the reduction in monthly bills overall.

MOORE/CASTNER – MOVED TO ADD A FIVE DOLLAR CHARGE PER UNIT PER MONTH FOR MULTI-FAMILY SERVICE.

Discussion included that it is needed for tracking, recognize the perception of an additional demand and a scenario was provided. This can always be changed or deleted.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

A discussion and exercise on the current rates and the projection that rates are going to be reduced and still cover the requirements of the system including maintenance and depreciation ensued. It was noted that the amount of gallonage sold did not all go through the sewer. The water is based on dollars and the sewer is based on gallons.

The next item the Task Force discussed was the service fee and how could they lower it from \$45 to a suggested \$18 per month.

HOWARD/CASTNER – MOVED TO REQUEST STAFF TO GENERATE THE ADMINISTRATIVE COSTS THAT INCLUDES READING THE METERS, GENERATING THE BILLS, COLLECTING THE MONEY.

There was discussion on the service fee and what would be a defensible number from staff.

Motion was passed by consensus of the Task Force members.

The Task Force did a brief exercise changing the service fee amount. It was noted that the closer you can get the service fee to \$0 the fairer it is overall. Further time was spent in explaining how a lower rate can be charged and covering all the costs.

HOWARD/HOWARD – MOVED TO HAVE STAFF PROVIDE THE QUANTITY OF SEWAGE THAT COMES FROM THE SPIT.

Mr. Howard commented that they required a more accurate number of gallons of water that goes back to the sewage treatment plant, it is known that not all the water metered does not get sent back as sewage and they also wanted information on pump station efficiencies. As an example any water that goes to the ice house the majority does not come back as sewage.

The Motion was passed by consensus of the Task Force members.

C. Discussion and Clarification of Fire Protection Costs to the System

Mr. Castner noted that there is more into maintaining those hydrants.

Mr. Howard requested confirmation that the \$83,000 covers just labor. Mr. Meyer responded saying that \$73,000 covers labor and approximately \$10,000 for equipment.

Further discussion on details of the costs related to providing fire service to the city and the benefits of that service.

Mr. Castner said he felt that represented 11% of the cost and Mr. Moore felt 25%. Mr. Castner said this number reflects only the maintenance of the system.

Mr. Meyer related how they do it in Anchorage.

Chair Wythe asked if there was a way to identify the depreciable value of the hydrants in the fire system.

Ms. Minsch asked if it was known how many units on the Spit are being provided fire protection.

Further discussion on fairness ensued.

Mrs. Minsch asked for an item on the agenda for just general discussion.

NEW BUSINESS

There were no items on the agenda.

INFORMATIONAL MATERIALS

A. Updated Timeline

B. Updated Meeting Schedule

There was no discussion on the informational items in the packet.

COMMENTS OF THE AUDIENCE

Larry Sloan commented on the commodity rate model, staff providing materials requested and charging a fee with no benefit. He further commented that more discussion was required on fire service costs and depreciation.

COMMENTS OF THE CITY STAFF

Ms. Krause had no comments.

Mr. Meyer commented on the exercise using the spreadsheet seeing how changing one factor acts on other areas of the rate; how the service fees are applied; the overall costs to operate the system; if you don't use water there is still fixed costs.

COMMENTS OF THE CHAIR

Chair Wythe commented on looking at the depreciation as a fixed cost to the system.

COMMENTS OF THE TASK FORCE

Mr. and Mrs. Howard had no comments.

Mr. Moore commented that he would like to talk about his water usage but that might be declared a conflict of interest so he won't. His concerns were the pendulum swinging from one end to the other and he wants to be fair for everyone there needs to be some common ground to keep costs down for everybody.

Mr. Castner commented on paying for the system again and again.

Ms. Minsch wanted to know if they really think they will be ready for public hearings in January and getting input from the public and what do they want them to comment on.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 8:30 p.m. The next **REGULAR MEETING is OCTOBER 23, 2012** at 5:15 P.M. All meetings are scheduled in the **UPSTAIRS CONFERENCE ROOM** at City Hall, 491 E. Pioneer Avenue, Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved:_____